



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
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IN REPLY REFER TO

PPD 730.5.17.1

January 23, 2007
07-PPD-004(R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: Revisions to Audit Guidance and Audit Programs on Financial Condition Risk Assessments and Financial Capability Audits

CAM 14-300 and the audit programs related to planning and performing financial condition risk assessments and financial capability audits (DMIS Codes 17600 and 17610) have been revised. These revisions incorporate the revised audit policy and guidance changes issued on September 8, 2005, in MRD 05-PPD-057(R) Subject: Audit Guidance on Financial Condition Risk Assessments and Financial Capability Audits at Parent and Subsidiary Locations as well as the following changes:

- (1) the steps for performing the verification of the contractor's payment of payroll taxes has been included as part of the financial condition risk assessment and eliminated from the detailed audit program steps;
- (2) the steps for identifying and analyzing the trends of key financial statement elements are included as part of the modified financial condition risk assessment (DMIS 5-digit code 17610) and the steps for calculating and analyzing financial ratio trends has been eliminated from the modified risk assessment program. The financial ratio trend analysis will continue to be performed as part of the detailed financial condition risk assessment; and
- (3) an Agency-wide Excel workbook tool to assist in calculating the financial statement element trends and ratios was developed with the assistance of the Eastern Region and added to the Other Audit Guidance section of APPS.

Auditors with questions should address them to their regional office. Regional questions concerning this memorandum should be directed to Policy Programs Division, at (703) 767-2270.

/Signed/
Kenneth J. Saccoccia
Assistant Director
Policy and Plans

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